

B37018

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

2009

CITY OF DECATUR MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA



FILED
05/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phyllis J. Whitright	01-01-08 to 12-31-11
Mayor	John L. Schultz	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	John L. Schultz	01-01-08 to 12-31-11
President of the Common Council	John L. Schultz	01-01-08 to 12-31-11
Utility Office Manager	Robert M. Ladd Daniel L. Rickord	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Superintendent of Water Utility	James E. Inskeep, Jr.	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Anne L. Butcher	01-01-09 to 12-31-10
Superintendent of Storm Water Utility	Joan A. Eichhorn	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF DECATUR MUNICIPAL
UTILITIES, ADAMS COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the City of Decatur Municipal Utilities (Utilities), departments of the City of Decatur, as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Decatur as of December 31, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Utilities, as of December 31, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

The Utilities have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

April 29, 2010

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2009

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 209,349	\$ 661,899	\$ 264,589
Interest receivable	183	363	126
Accounts receivable (net of allowance)	88,371	198,705	21,199
Accounts receivable - other	4,578	3,554	-
Inventories	<u>53,356</u>	<u>-</u>	<u>-</u>
Total current assets	<u>355,837</u>	<u>864,521</u>	<u>285,914</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	3,802	64,424	-
Bond and interest cash and investments	-	4,009	-
Construction cash and investments	-	143,171	-
Debt service reserve cash and investments	<u>41,228</u>	<u>602,097</u>	<u>-</u>
Total restricted assets	<u>45,030</u>	<u>813,701</u>	<u>-</u>
Deferred charges	<u>75,331</u>	<u>143,030</u>	<u>-</u>
Capital assets:			
Land, improvements to land and construction in progress	179,724	15,800	-
Other capital assets (net of accumulated depreciation)	<u>5,159,596</u>	<u>25,735,222</u>	<u>137,008</u>
Total capital assets	<u>5,339,320</u>	<u>25,751,022</u>	<u>137,008</u>
Total noncurrent assets	<u>5,459,681</u>	<u>26,707,753</u>	<u>137,008</u>
Total assets	<u>5,815,518</u>	<u>27,572,274</u>	<u>422,922</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	40,529	22,407	4,685
Taxes payable	8,704	-	-
Wages payable	12,765	12,831	2,287
Current liabilities payable from restricted assets:			
Revenue bonds payable	35,000	-	-
Loans payable	<u>-</u>	<u>288,000</u>	<u>-</u>
Total current liabilities	<u>96,998</u>	<u>323,238</u>	<u>6,972</u>
Noncurrent liabilities:			
Revenue bonds payable	1,760,000	-	-
Loans payable	-	13,576,000	-
Compensated absences	<u>21,925</u>	<u>23,724</u>	<u>1,369</u>
Total noncurrent liabilities	<u>1,781,925</u>	<u>13,599,724</u>	<u>1,369</u>
Total liabilities	<u>1,878,923</u>	<u>13,922,962</u>	<u>8,341</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,544,320	11,887,022	137,008
Restricted for debt service	41,228	606,106	-
Restricted for construction	-	143,171	-
Restricted for other purposes	3,802	64,424	-
Unrestricted	<u>347,245</u>	<u>948,589</u>	<u>277,573</u>
Total net assets	<u>\$ 3,936,595</u>	<u>\$ 13,649,312</u>	<u>\$ 414,581</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2009

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Operating revenues:			
Measured revenue:			
Residential, commercial and industrial	\$ 1,012,373	\$ 2,101,272	\$ -
Fire protection revenue	109,046	-	-
Penalties	7,100	38,876	1,928
Flat rate revenues	-	-	203,544
Other	<u>40,045</u>	<u>32,663</u>	<u>1,488</u>
Total operating revenues	<u>1,168,564</u>	<u>2,172,811</u>	<u>206,960</u>
Operating expenses:			
Source of supply and expense - operations and maintenance	75,375	-	-
Transmission and distribution	380,340	-	-
Water - operations and maintenance	540,885	-	-
Collection system - operations and maintenance	-	95,722	-
Treatment and disposal - operations and maintenance	-	670,666	-
Operations and maintenance	-	-	90,967
Customer accounts	124,184	83,211	28,838
Administration and general	111,868	89,771	31,654
Depreciation	<u>209,641</u>	<u>494,811</u>	<u>14,790</u>
Total operating expenses	<u>1,442,293</u>	<u>1,434,181</u>	<u>166,249</u>
Operating income (loss)	<u>(273,729)</u>	<u>738,630</u>	<u>40,711</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	3,853	58,466	2,435
Miscellaneous revenue	1,363	8,000	-
Interest expense	(80,162)	(553,067)	-
Miscellaneous expense	<u>(4,367)</u>	<u>(8,850)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(79,313)</u>	<u>(495,451)</u>	<u>2,435</u>
Income (loss) before contributions	(353,042)	243,179	43,146
Capital contributions	<u>-</u>	<u>-</u>	<u>9,942</u>
Change in net assets	(353,042)	243,179	53,088
Total net assets - beginning	<u>4,289,637</u>	<u>13,406,133</u>	<u>361,493</u>
Total net assets - ending	<u>\$ 3,936,595</u>	<u>\$ 13,649,312</u>	<u>\$ 414,581</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,168,436	\$ 2,160,088	\$ 202,820
Payments to suppliers and contractors	(666,325)	(442,284)	(46,890)
Payments to employees	(566,753)	(505,061)	(100,087)
Net cash provided (used) by operating activities	<u>(64,642)</u>	<u>1,212,743</u>	<u>55,843</u>
Cash flows from noncapital financing activities:			
Other receipts	<u>1,363</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(76,274)	(3,869,015)	(112,712)
Principal paid on capital debt	(65,000)	(571,000)	-
Interest paid on capital debt	(80,162)	(553,067)	-
Proceeds from sales of capital assets	<u>-</u>	<u>8,000</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(221,436)</u>	<u>(4,985,082)</u>	<u>(112,712)</u>
Cash flows from investing activities:			
Interest received	<u>4,556</u>	<u>59,295</u>	<u>2,742</u>
Net decrease in cash and cash equivalents	(280,159)	(3,713,044)	(54,127)
Cash and cash equivalents, January 1	<u>534,538</u>	<u>5,188,644</u>	<u>318,716</u>
Cash and cash equivalents, December 31	<u>\$ 254,379</u>	<u>\$ 1,475,600</u>	<u>\$ 264,589</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (273,729)	\$ 738,630	\$ 40,711
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	209,641	494,811	14,790
(Increase) decrease in assets:			
Accounts receivable	1,154	(10,487)	(4,140)
Accounts receivable - other	(1,282)	(2,236)	-
Inventories	6,740	-	-
Increase (decrease) in liabilities:			
Accounts payable	(6,980)	(11,790)	3,098
Taxes payable	(426)	-	-
Wages payable	119	1,367	535
Compensated absence payable	<u>121</u>	<u>2,448</u>	<u>849</u>
Total adjustments	<u>209,087</u>	<u>474,113</u>	<u>15,132</u>
Net cash provided (used) by operating activities	<u>\$ (64,642)</u>	<u>\$ 1,212,743</u>	<u>\$ 55,843</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets from government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,942</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Decatur Municipal Utilities and are not intended to present fairly the position of the City of Decatur (City). The Utilities, whose operations are controlled by the City, represent all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utility's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utility to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method.

CITY OF DECATUR MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	Straight-line	50 years
Improvements other than buildings	500	Straight-line	10 to 100 years
Machinery and equipment	500	Straight-line	5 to 20 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 200 days. A percentage of accumulated sick leave, based upon the number of years of service, is paid to employees through cash payments upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

Sick leave is accrued when incurred.

No liability is reported for vacation leave.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 179,724	\$ -	\$ -	\$ 179,724
Capital assets, being depreciated:				
Buildings	425,587	-	-	425,587
Improvements other than buildings	5,994,423	32,966	106,729	5,920,660
Machinery and equipment	1,542,551	43,308	-	1,585,859
Totals	7,962,561	76,274	106,729	7,932,106
Less accumulated depreciation for:				
Buildings	289,810	9,117	-	298,927
Improvements other than buildings	1,631,430	125,056	106,729	1,649,757
Machinery and equipment	748,358	75,468	-	823,826
Totals	2,669,598	209,641	106,729	2,772,510
Total capital assets, being depreciated, net	5,292,963	(133,367)	-	5,159,596
Total capital assets, net	\$ 5,472,687	\$ (133,367)	\$ -	\$ 5,339,320

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 15,800	\$ -	\$ -	\$ 15,800
Construction in progress	7,072,597	2,250,427	9,323,024	-
Total capital assets, not being depreciated	7,088,397	2,250,427	9,323,024	15,800
Capital assets, being depreciated:				
Buildings	5,446,888	5,297,826	-	10,744,714
Improvements other than buildings	13,630,212	1,760,453	-	15,390,665
Machinery and equipment	5,761,075	2,294,020	153,639	7,901,456
Totals	24,838,175	9,352,299	153,639	34,036,835
Less accumulated depreciation for:				
Buildings	2,442,857	119,011	-	2,561,868
Improvements other than buildings	2,269,313	136,302	-	2,405,615
Machinery and equipment	3,248,271	239,498	153,639	3,334,130
Totals	7,960,441	494,811	153,639	8,301,613
Total capital assets, being depreciated, net	16,877,734	8,857,488	-	25,735,222
Total capital assets, net	\$ 23,966,131	\$ 11,107,915	\$ 9,323,024	\$ 25,751,022
Storm Water Utility:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ -	\$ 96,875	\$ -	\$ 96,875
Machinery and equipment	71,251	25,779	-	97,030
Totals	71,251	122,654	-	193,905
Less accumulated depreciation for:				
Improvements other than buildings	-	1,751	-	1,751
Machinery and equipment	42,107	13,039	-	55,146
Totals	42,107	14,790	-	56,897
Total Storm Water Utility capital assets, net	\$ 29,144	\$ 107,864	\$ -	\$ 137,008

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 209,641
Wastewater	494,811
Storm Water	<u>14,790</u>
 Total depreciation expense	 <u>\$ 719,242</u>

C. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
2007 Water tower construction and renovation	4.25 to 4.5%	<u>\$ 1,795,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	
	Principal	Interest
2010	\$ 35,000	\$ 39,019
2011	70,000	75,806
2012	70,000	72,831
2013	75,000	69,856
2014	80,000	66,563
2015-2019	445,000	279,475
2020-2024	550,000	174,446
2025-2028	<u>470,000</u>	<u>42,975</u>
Totals	<u>\$ 1,795,000</u>	<u>\$ 820,971</u>

2. Loans Payable

The Wastewater Utility has entered into two State Revolving Fund Loans. Under the terms of the 2004 State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank. The proceeds were used to finance the separation of sewer lines for the Wastewater Utility. Funds are loaned to the Utility as construction costs are accrued to the maximum amount. The 2004 loan established a maximum draw of \$5,910,000, of which \$4,894,000 is still outstanding.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Under the terms of the 2008 State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds were used to finance treatment plant improvements, separation of sewer lines, and sanitary sewer system rehabilitation projects. The principal of \$9,276,000 was loaned to the Utility at the inception of the agreement, of which \$8,970,000 is still outstanding.

Annual debt service requirements to maturity for the loans, including interest of \$1,371,177 and \$4,068,284, respectively, are as follows:

2010	\$ 556,349
2011	1,116,030
2012	1,116,081
2013	1,116,209
2014	1,116,416
2015-2019	5,580,282
2020-2024	5,357,422
2025-2029	<u>3,344,672</u>
 Total	 <u>\$ 19,303,461</u>

3. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 1,860,000	\$ -	\$ 65,000	\$ 1,795,000	\$ 35,000
State revolving fund loans:					
Wastewater Utility	14,435,000	-	571,000	13,864,000	288,000
Compensated absences:					
Water Utility	21,804	121	-	21,925	-
Wastewater Utility	21,276	2,448	-	23,724	-
Storm Water Utility	520	849	-	1,369	-
Total compensated absences	<u>43,600</u>	<u>3,418</u>	<u>-</u>	<u>47,018</u>	<u>-</u>
Total long-term liabilities	<u>\$ 16,338,600</u>	<u>\$ 3,418</u>	<u>\$ 636,000</u>	<u>\$ 15,706,018</u>	<u>\$ 323,000</u>

Long-term liability activity for the year ended December 31, 2009, was as follows:

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Depreciation	\$ 68,226
Revenue bond and interest	4,009
Revenue bond debt service reserve	643,325
Revenue bond construction	<u>143,171</u>
Total restricted assets	<u>\$ 858,731</u>

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 2001, the Utilities joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Utilities pay an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Common Council on December 15, 2009. The Utility has 4,346 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on June 3, 2008. The Utility has 4,419 customers.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Storm Water Utility

The current rate structure was approved by the Common Council on July 20, 2004. The Utility has 4,102 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 141,417
Interest on net pension obligation	(3,941)
Adjustment to annual required contribution	4,491
Annual pension cost	141,967
Contributions made	113,100
Increase in net pension obligation	28,867
Net pension obligation, beginning of year	(54,358)
Net pension obligation, end of year	\$ (25,491)
Contribution rates:	
Utilities	8.25%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 92,657	122%	\$ (71,514)
	06-30-07	124,757	86%	(54,358)
	06-30-08	141,967	80%	(25,491)

CITY OF DECATUR MUNICIPAL UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,778,894	\$ 2,358,188	\$ (579,294)	75%	\$ 1,473,128	(39%)
07-01-07	2,040,201	2,706,821	(666,620)	75%	1,596,762	(42%)
07-01-08	2,312,613	3,030,644	(718,031)	76%	1,651,314	(43%)

CITY OF DECATUR MUNICIPAL UTILITIES
EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

LOST WATER

During 2009, the Water Utility reported a total of 766,401,800 gallons of water pumped from the wells to the plants. Of this amount, 407,963,016 gallons, representing 53% of the total gallons pumped, was either being used at the plants or was unaccounted for. This unaccounted for water results in a loss of revenue to the Utility and should be investigated to determine any leaks, faulty meters, or unauthorized use of water.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance

CITY OF DECATUR MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on April 29, 2010, with Phyllis J. Whitright, Clerk-Treasurer; John L. Schultz, Mayor; and Daniel L. Rickord, Utility Office Manager.